



Commonwealth of Kentucky
Office of the Governor

Ernie Fletcher
Governor

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Dear KTRS Members:

Having just closed the books on Fiscal Year 2006, I am pleased to report a very encouraging budgetary surplus, as well as my decision for its use.

Many of you contacted me regarding funding for the health insurance portion of your retirement fund in order to maintain your health care benefits in the future. In response to that, I recommended in my proposed budget that a portion of any surplus funds be used to further strengthen the financial integrity of the Medical Insurance Fund of the Kentucky Teachers' Retirement System (KTRS).

The General Assembly agreed and I have exercised this authority by dedicating \$12 million of surplus funds to the KTRS Medical Insurance Fund (with an equal amount to be dedicated to the Kentucky Employees Retirement System). The balance of the \$136.5 million surplus (\$112.5 million) will be transferred to the state's Rainy Day Fund, which provides an essential measure of protection against revenue shortfalls, unexpected expenses and natural disasters.

I am proud to take these actions. I was optimistic that economic growth and our efforts to make more efficient use of the state's financial resources would result in a surplus which could be applied to our retirement systems. We succeeded; however, we will not stop here. It is my intention to continue our efforts to create a surplus in the new 2007 Fiscal Year. You may rest assured that we are doing our best to make Kentucky stronger, more economically viable and fiscally sound.

Thank you for your service to the Commonwealth.

Sincerely,



Ernie Fletcher

